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Secord Testifies Unspent Money Was For Future Operations, Not His Use

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Retired major general Richard V. Secord acknowledged yesterday that his White House-supported covert "enterprise" had amassed \$12 million in cash and assets in barely two years, but he repeatedly insisted that the money was intended for future operations rather than his personal use.

At the conclusion of a withering cross-examination, Secord acknowledged that the "covert operation organization" had been set up at the request of Rear Adm. John M. Poindexter, then national security adviser, and Lt. Col. Oliver L. North, then a National Security Council official.

He also said on the third day of joint House-Senate hearings on the Iran-contra affair that the organization, which he referred to repeatedly as "the enterprise," had its own planes, missions, secret accounts, deep-cover agents, code names, secret sources of funding and even National Security Agency communications equipment.

"And you felt indeed that you could do a better job than the people who were in charge of covert operations?" asked Arthur L. Liman, chief counsel of the Senate select committee.

"I thought so," replied Secord, who by then had been sparring with Liman, sometimes sarcastically, sometimes emotionally, for three hours. Secord also acknowledged that he had harbored ambitions to direct the CIA's covert operations.

Liman pounded away at the idea that all the funds were generated by projects in which Secord's friend in government, North, had a hand: private contributions raised in the United States for the contras, arms sales to the contras, and—most of all—the sale of U.S. arms to Iran.

Secord has said that \$14 million in unspent funds was left over from the secret 1986 weapons shipments to Iran through middlemen. Of that

sum, \$6 million went for expenses, several other covert operations, expenses, profits and arms and supplies for the contras. The other \$8 million is currently in several accounts in Switzerland, and, according to some intelligence sources, might have been set aside at North's direction as a "slush fund" for subsequent covert initiatives by "the enterprise."

These funds were generated by price markups to Iran on U.S. weapons and spare parts, the sale of which was facilitated by Secord's companies. Thus, questions yesterday turned on whether the funds belong to the U.S. government or Secord's entities now that their operations have been ended.

After repeatedly insisting to Liman that he would not turn the money back to the U.S. government, Secord late in the day appeared to do a dramatic about-face and offered to help get the funds returned.

As Liman hammered away at the idea that Secord was profiteering, Secord shot back, "I didn't come here voluntarily to be badgered by these questions that I have answered already repeatedly."

When Liman came back with another question, Secord said, "Let's get off the subject."

"You making the rulings?" asked Liman.

On another occasion, Secord seemed to explode in frustration: "I've got a special prosecutor over here across the street trying to throw all of us in jail for performing our duty as we saw it."

On still another occasion, Secord snapped, "My position is as I stated, not as you stated it. So stop trying to change my story, and move my story around."

During other parts of his testimony, Secord also:

- Acknowledged that he had asked his secretary to destroy documents from his files because of concern that they could be stolen by burglars. Under questioning, however,

he said the shredding was unrelated to an FBI investigation involving one of his planes that had been downed in Nicaragua. The FBI inquiry was "not a triggering event," he said.

- Admitted that two of his main partners in the covert enterprise, Albert A. Hakim and Thomas G. Clines, did not have security clearances. Nonetheless, they were involved in both the Iranian arms sales and the contra resupply effort—two of the most secret and highly sensitive operations.

- Said that Poindexter had knowledge of the diversion of Iranian arms sales funds to support the contras. The testimony appeared to be at odds with statements by Attorney General Edwin Meese III last Nov. 25 that Poindexter knew "generally that something of this nature was happening. He did not know the details."

- Acknowledged that he had never signed his name to a single document associated with "the enterprise," the White House-inspired covert entity.

- Conceded that "there's no question that the covert operation was designed to be concealed from Congress . . . but that wasn't my decision at all."

- Recalled that North had jokingly commented that if the facts were ever made public, North would get a pardon. "When that came up, I laughed at him, and I said, 'That's ridiculous! What are you talking about?'" Secord said. "I mean, just everything we've discussed repeatedly, that no laws are being broken, we're doing everything we can to live within the law."

- Testified that, in an early 1986 meeting at the White House, CIA Director William J. Casey suggested that a foreign government be solicited by Secretary of State George P. Shultz to make a contribution. Although the country has not been officially identified, congressional sources said earlier that

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it was Saudi Arabia, which eventually donated millions to the Nicaraguan rebel cause.

■ Repeated his belief that President Reagan was aware of his activities. Reagan, however, talking briefly with reporters in the Rose Garden, said Secord was "misinformed." Reagan acknowledged, however, that he did know that "Mr. Secord was engaged with other private citizens in trying to get aid to the contras, and there's nothing against the law in that."

After hearing Secord's testimony yesterday, Sen. Howell Heflin (D-Ala.), a member of the Senate panel, said he believes Secord will be indicted for his role in the affair. Heflin said that possible criminal charges against Secord could include defrauding the U.S. government, conspiring to evade the legal ban on military aid to the contras and obstruction of justice.

What triggered the series of sharp exchanges between Liman and Secord was the counsel's questioning about money from Swiss bank accounts, which appeared to be going to Secord personally and which Liman was attempting to use as an example of the witness' use of his government connections to privately enrich himself.

On Wednesday, Secord testified that he had renounced about \$400,000 due him as his share of profits from his company's sale of arms to the contras in 1984 and early 1985.

"[The money] was a matter of little concern to me at the time," said Secord. "I was busy with a lot of big problems. I couldn't worry about that."

Liman then asked him about a Swiss bank account that has never been mentioned in connection with the Iran-contra investigation called "Korel," which Secord said had been set up by his partner, Hakim. Secord said he had "an undefined interest" in Korel, but denied knowing whether or not Hakim had accumulated any profits for him in that account.

Hakim controlled that and all the other Swiss bank accounts associated with the "enterprise," Secord said, adding that his name never appeared. Nevertheless, Hakim took all his directions on distribu-

tion of the money from him, he testified.

During the questioning that followed, Liman brought out the fact that along with his \$6,000-per-month salary, Secord's Vienna, Va., partnership with Hakim received \$425,000 between February 1985 and November 1986 from a Swiss financial institution run by Hakim's financial associate.

Secord called the funds a loan, but said said in two years he had not paid any interest and had not been asked to. Liman said it "appears that those funds" came from the accounts that received profits from arms sales and contributions to the contras.

Liman also brought out that Secord's partnership was also taking a profit from another Secord-controlled company that built an airstrip for the contra airlift in Costa Rica.

In one of the more bizarre examples of the covert operations sought by the "enterprise," Liman introduced into the records a proposal under which Secord would lease a ship, the Erria, to the CIA for a \$50,000-a-month profit, which was justified because of the "risk" involved. Other sources said the ship was to work clandestinely off the coast of Libya. The \$350,000 used by the "enterprise" to purchase the ship came from funds generated by the sale of arms provided through the CIA, Liman said.

When it appeared in mid-1986 that Congress might be ready to start sending military aid to the contras again, Secord and North attempted to sell or lease the planes, airstrip and buildings in Central America that they valued at \$4.5 million to the CIA.

Another option that was explored was the possibility of leasing the assets to the CIA for \$311,000 a month, about double the monthly operating costs listed on an internal document from Secord's company that Liman introduced into the record.

Secord denied he had proposed such an option, but Liman read from a sworn statement given to the investigating committees by one of Secord's former employees, retired colonel Robert C. Dutton. The statement attributed the idea to Secord.

The shooting down of the C123 cargo plane in Nicaragua last Oct. 5 apparently ended any hope that the CIA would take over the assets, and their status is uncertain.

The exposure of the private network and of the Iranian operation also may have halted other Secord projects, including an ambitious plan to use some of the unspent \$8 million profit from the earlier arms sales to purchase a 707 transport plane for continued arms sales to Iran.

Secord testified that he had gone so far as to start talks with Southern Air Transport of Miami in hopes of getting the price down from \$2 million to \$1.5 million.

The idea of projecting further arms sales business with the Tehran regime runs counter to public statements by administration officials, including the president, that such sales were to be limited, and were to represent merely a gesture of good will.

Increasingly yesterday, the focus of the questioning of Secord narrowed to the status and significance of the unspent \$8 million in Swiss accounts. Secord said that some of this money had to go to pay outstanding debts and other obligations, such as death benefits for the two Americans and a Nicaraguan killed in the downing of the C123. Secord said he also owes money for leasing the plane that flew American hostage David Jacobsen out of Beirut last November.

Pressed by Liman as to why he thought it necessary to build up such a large accumulation of capital, Secord said, "Of course, it was our duty to keep the \$8 million. We had it in there for operating revenue. I didn't terminate this operation. The operation was blown apart. The operation was aborted."

Liman attempted to show that the price increases set for Iran by North and Secord were designed from the start to produce profits that would make available sufficient funds for continued covert operations. He read into the record a May 1986 message from North to Poindexter that talked of \$6 million being available for distribution to the contras at the same time a U.S. arms sales to Iran was going to produce a surplus of that same amount.

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Late in the day, Sen. Warren B. Rudman (R-N.H.), vice chairman of the Senate Iran-contra committee, asked: "No U.S. official has ever laid claim to the \$8 million?"

"That's correct," said Secord.

Rudman then called on Secord to help Congress get the U.S. government to assert a claim to the funds. After first saying he did not wish to "stake out" a position, he said he would assist the Senate.

"I have no interest in taking any profit out of this \$6-8 million. I'm interested in my company getting any reimbursement that the accountants believe are due to it. I will help in every way I can to get the money back," Secord said.

Staff writers Charles R. Babcock, David Hoffman and Joe Pichirallo and staff researcher Michelle Hall contributed to this report.



BY JAMES K.W. ATHERTON—THE WASHINGTON POST
Senate committee counsel Arthur L. Liman during blistering cross-examination.